

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AGRE-00 AID-05 CIAE-00 COME-00
EB-08 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00
XMB-02 OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 STR-05
CEA-01 DODE-00 PM-05 H-01 L-03 NSC-05 PA-01
PRS-01 SS-15 IGA-02 EA-10 IO-13 INT-05 /120 W
-----000753 081458Z /42

R 081115Z NOV 77

FM AMEMBASSY NEW DELHI
TO SECSTATE WASHDC 7191
INFO AMEMBASSY COLOMBO
AMEMBASSY DACCA
AMEMBASSY ISLAMABAD
AMEMBASSY KABUL
AMEMBASSY KATHMANDU
AMCONSUL BOMBAY
AMCONSUL CALCUTTA
AMCONSUL MADRAS

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E.O. 11652: N/A

TAGS: ECON, IN

SUBJECT: JANATA PARTY PANEL RECOMMENDS ECONOMY POLICIES

SUMMARY: A SPECIAL JANATA PARTY PANEL HAS RECOMMENDED MAJOR ECONOMIC POLICY CHANGES THAT WILL BE CONSIDERED BY THE CENTRAL PARTY WORKING COMMITTEE NEXT WEEK. OVERALL PRIORITIES REMAIN INCREASED EMPHASIS ON AGRICULTURAL/RURAL DEVELOPMENT, SMALL SCALE SECTOR AND EMPLOYMENT. THE PANEL CALLED FOR CURBS ON CONCENTRATION OF LARGE INDUSTRIAL HOUSES AND ON PRIVATE FOREIGN INVESTMENT. LAND REFORM MEASURES ARE RELATIVELY INNOCUOUS. MAJOR ELEMENTS OF THE JANATA PARTY SHOULD BE SATISFIED BY THESE ECONOMIC POLICY PROPOSALS AND PROSPECTS FOR ADOPTION ARE DEEMED GOOD. END SUMMARY.

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1. BEGIN UNCLASSIFIED. A SPECIAL TOP LEVEL PANEL OF THE JANATA PARTY HAS RECOMMENDED MAJOR ECONOMIC POLICIES THAT WILL BE CONSIDERED BY A CENTRAL WORKING COMMITTEE OF THE PARTY ON NOVEMBER 12-13. POLICY PROPOSALS APPROVED THERE WILL THEN BE SUBMITTED TO THE UPCOMING SESSION OF PARLIAMENT. PANEL MEMBERS INCLUDED PARTY PRESIDENT CHANDRA SHEKHAR, HOME MINISTER

CHARAN SINGH, DEFENSE MINISTER JAGJIVAN RAM, FINANCE MINISTER PATEL, COMMERCE MINISTER DHARIA, INDUSTRY MINISTER FERNANDES, FOREIGN MINISTER VAJPAYEE, AND MP MADHU LIMAYE, WHO BRIEFED PRESS ON THE FOLLOWING IMPORTANT DECISIONS OF THE PANEL.

2. OVERALL GOALS. CREATION OF EMPLOYMENT OPPORTUNITIES AND HIGHER PRODUCTION TO ALLOW INCREASED CONSUMPTION BY THE BOTTOM 40 PERCENT OF THE POPULATION ARE MAJOR JANATA OBJECTIVES. RURAL DEVELOPMENT WILL BE GIVEN PRIORITY WITH 40 PERCENT OF DEVELOPMENT FUNDS TO BE ALLOTTED TO THE AGRICULTURAL SECTOR. EMPHASIS WILL BE ON PRODUCTION OF PULSES, OILSEEDS, COARSE GRAINS AND MEDIUM-STAPLE COTTON. THE PANEL RECOGNIZED THAT A LONG TERM SOLUTION TO THE UNEMPLOYMENT PROBLEM LAY IN CREATING JOBS IN THE NON-AGRICULTURAL SECTORS, BUT SHORT TERM EMPLOYMENT OPPORTUNITIES COULD BE INCREASED THROUGH IMPROVED IRRIGATION AND DOUBLE CROPPING.

3. INDUSTRIAL SECTOR. CURBS SHOULD BE PLACED ON INDISCRIMINATE DIVERSIFICATION OF LARGE INDUSTRIAL HOUSES. NO COMPANY OR GROUP OF COMPANIES WILL BE ALLOWED A DOMINANT SHARE OF THE MARKET. THE GOI WILL PRIMARILY USE THE PUBLIC SECTOR TO ACCELERATE ECONOMIC DEVELOPMENT. LARGE SCALE INDUSTRIAL COMPANIES (BOTH PUBLIC AND PRIVATE) WILL BE EXPECTED TO DEPEND INCREASINGLY ON THEIR INTERNAL RESOURCES FOR INVESTIBLE FUNDS. THE EXISTING CAPACITY OF CONSUMER GOODS INDUSTRIES, PARTICULARLY TEXTILES AND FOOTWEAR, IN THE ORGANIZED SECTOR LIMITED OFFICIAL USE

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WILL BE FROZEN; NEW LICENSES WILL ONLY BE ALLOWED IN THE "DECENTRALIZED" SECTOR. ADDITIONAL TEXTILE CAPACITY WILL ONLY BE MET BY NEW HANDLOOMS AND INTERMEDIATE TECHNOLOGY UNITS, NOT THE MILL SECTOR. THE GOI WILL REFUSE PERMISSION FOR NEW INDUSTRIES TO BE STARTED IN OR WITHIN 20 KILOMETERS OF CITIES WITH A POPULATION OF OVER ONE MILLION. THE COUNTRY SHOULD BECOME MORE SELF-RELIANT INDUSTRIALLY BY STIMULATING THE INTERNAL MARKET, AND EXPORTS SHOULD NOT BE PROMOTED TO THE NEGLECT OF THAT MARKET. (COMMENT: A DETAILED INDUSTRIAL POLICY HAS BEEN PROMISED BY THE END OF THIS MONTH.)

4. FOREIGN INVESTMENT. THE FOREIGN EXCHANGE REGULATION ACT (FERA) WILL BE VIGOROUSLY IMPLEMENTED TO ENSURE QUICK INDIANIZATION OF OWNERSHIP. FOREIGN EQUITY PARTICIPATION WILL BE DISCOURAGED BECAUSE IT RESULTED IN THE AGGRAVATION OF INCOME DISPARITIES, CREATION OF VESTED INTEREST AND THE DANGER OF POLITICAL INTERFERENCE AND DESTABILIZATION. HOWEVER, THESE PROBLEMS DID NOT APPLY TO COLLABORATION AT THE GOVERNMENT TO GOVERNMENT LEVEL. GOI POLICY WILL BE TO PREFER OUTRIGHT PURCHASE OF FOREIGN TECHNOLOGY (ON THE JAPANESE MODEL) TO PROMOTE INDUSTRIAL DEVELOPMENT.

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5. RURAL REFORM AND DEVELOPMENT. PRESENT LAND HOLDING
CEILINGS WILL REMAIN. (SOME JANATA PARTY MEMBERS HAD WANTED
AN UPWARD REVISION IN CEILINGS.) EMPHASIS WILL BE ON CONSOL-
IDATING LAND HOLDINGS TO A MINIMUM FARM SIZE OF 2.5 ACRES.
THE PUBLIC DISTRIBUTION SYSTEM SHOULD BE EXTENDED TO COVER
RURAL AREAS (IN ADDITION TO URBAN CENTERS) AND SHOULD INCLUDE
THE FOLLOWING SIX ITEMS AT THE LEAST: CEREALS, PULSES, EDIBLE
OILS, SUGAR, TEXTILES AND KEROSINES.

6. PLANNING. THE NEW "ROLLING PLAN" CONCEPT (FIVE YEAR PLAN
REVISED AND EXTENDED EACH YEAR THAT WILL GO INTO EFFECT
APRIL 1, 1978) DOES NOT MEAN THAT FIXED FIVE YEAR PLANS WILL
BE ABANDONED. IT IS PROPOSED THAT THE 15 YEAR PERSPECTIVE
PLAN BE DIVIDED INTO THREE FIVE YEAR PERIODS: A DETAILED
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PLAN, AN INDICATIVE PLAN AND A BROAD OUTLINE. (COMMENT: WE ARE PREPARING A MORE DETAILED MESSAGE ON THE ROLLING PLAN CONCEPT.)

7. IN RELATED DEVELOPMENTS THE GOI REPORTEDLY PLANS TO RESERVE ON A STATUTORY BASIS 800 ITEMS FOR EXCLUSIVE PRODUCTION IN THE SMALL SCALE SECTOR, IN CONTRAST TO 180 ITEMS PRESENTLY RESERVED. GOODS CONSUMED BY MIDDLE INCOME GROUPS AND ITEMS HAVING EMPLOYMENT POTENTIAL ARE BEING INCLUDED ON THE EXPANDED LIST. ALSO, THE FINANCE MINISTRY RECENTLY ANNOUNCED THAT 15 CATEGORIES OF PROJECTS WILL BE ENTITLED TO HAVE TAX CONCESSIONS UNDER THE 1977-78 CENTRAL GOVERNMENT BUDGET. THESE INCENTIVES ARE GENERALLY DESIGNED TO ENCOURAGE COMPANIES AND COOPERATIVES IN ESTABLISHING SMALL SCALE INDUSTRIES IN RURAL AREAS AND IN PROMOTING AGRICULTURAL AND RURAL DEVELOPMENT. END UNCLASSIFIED.

8. COMMENT: MAJOR ELEMENTS OF THE JANATA PARTY APPEAR TO HAVE GOTTEN SOMETHING OUT OF THESE COMPROMISE ECONOMIC PROPOSALS. THE JAN SANGH SHOULD BE SATISFIED BY EMPHASIS ON SMALL SCALE INDIGENOUS INDUSTRY. BLD LEADER CHARAN SINGH WILL BE AT LEAST PARTLY SATISFIED BY THE PROMISES FOR THE EXPANSION OF THE DECENTRALIZED SECTOR, AND THE PROSPEROUS FARMING INTERESTS HIS PARTY REPRESENTS CANNOT BE CONCERNED BY THE PANEL'S INNOCUOUS LAND REFORM PROPOSALS. THE SOCIALIST WING OF THE PARTY WILL BE PLEASED BY OPPOSITION TO DOMESTIC INDUSTRIAL CONCENTRATION AND PRIVATE FOREIGN INVESTMENT. (ON THE OTHER HAND, THE VIEWS OF STEEL MINISTER PATNAIK WHO FAVORED MORE FOREIGN INVESTMENT DID NOT PREVAIL.) THE HIGH LEVEL NATURE OF THE PANEL AS WELL AS THE FACT THAT IT REPRESENTED PRACTICALLY ALL IMPORTANT STRANDS OF THE PARTY WOULD SEEM TO INDICATE THAT ITS PROPOSALS WILL BE ACCEPTED NEXT WEEK BY THE JANATA CENTRAL WORKING COMMITTEE. MANY OF THE PRO-

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POSALS ARE SKETCHY IN NATURE AND SEVERAL NEWSPAPER EDITORIALS HAVE CRITICIZED THE LACK OF A COHERENT ECONOMIC POLICY FRAMEWORK. THE IMPORTANCE OF THESE POLICY CHANGES WILL THEREFORE DEPEND IN LARGE PART ON HOW THEY ARE IMPLEMENTED.

BLOOD

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Message Attributes

Automatic Decaptioning: X
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Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
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Disposition History: n/a
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Executive Order: N/A
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TAGS: ECON, IN
To: STATE
Type: TE
vdkgvwkey: odbcc://SAS/SAS.dbo.SAS_Docs/8b3b461f-c288-dd11-92da-001cc4696bcc
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